



# CURRENCY

## Committee on Financial Services

**Michael G. Oxley, Chairman**

**For Immediate Release:  
Monday, July 23, 2001**

**Contact: Peggy Peterson at 226-0471**

### **Baker Subcommittee to Assess Level of Transparency in Distribution of Market Data**

The House Financial Services Subcommittee on Capital Markets, chaired by Rep. Richard H. Baker (LA), will hold a hearing at 2 p.m. July 26 in room 2128 of the Rayburn House Office Building to examine the amount of transparency in the distribution of market data.

"Market data" refers to the stock price information investors rely on to make trading decisions. The current "bid" and "ask" prices for stocks and the latest prices paid for particular securities are available from brokerage houses, displayed on computer terminals, and stream across the bottom of the screen on financial cable networks.

"The securities laws enacted in the 1930s and last amended in 1975 govern a securities market that has dramatically changed in the face of an ever-increasing investor base and rapid technological development," said Subcommittee Chairman Richard Baker. "The challenge for policy makers is to consider these two factors as we review the rules for our modern capital markets. Market data consolidation and dissemination are key components of this broad review."

As established by securities laws passed in the 1970s, market participants are required to submit transaction information - such as the price a stock is offered at, the price a buyer is willing to pay for it and the price the stock last sold for - to the stock exchanges, which then sell the information to the various organizations that provide it to the public. Market data is only available to such distributors from these federally mandated consolidators.

Therefore, the very data that is the basis of free markets is not shared and sold in a competitive environment, but available only from certain government-sanctioned consolidators.

Also, because the current payment and distribution system was developed well before the revolutionary technological advances of recent years, many have expressed concerns that it needs to be updated for today's marketplace.

"Examining the payment and distribution system for this information is important because the costs are ultimately passed off to investing consumers," said Committee Chairman Michael G. Oxley. "Half of all U.S. households are affected, because some 90 million Americans hold securities investments. Any consideration of granting new rights over market data to the now-exclusive distributors of stock quotes should further fair and transparent access for investors."

The Subcommittee, which first heard testimony in March on the issue, will examine whether the databases of market information kept by the exchanges need legal protection.

Scheduled to testify are:

- Cameron Smith, General Counsel, Island ECN
- Richard G. Ketchum, President, The Nasdaq Stock Market
- Richard P. Bernard, Executive Vice President & General Counsel, New York Stock Exchange
- Hardy Callcott, Senior Vice President and General Counsel, Charles Schwab
- Marc E. Lackritz, President, Securities Industry Association

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